

THE BAKER-RAULANG COMPANY
CLEVELAND, OHIO
CORPORATION FILE

REPORT TO SHAREHOLDERS
THE BAKER-RAULANG COMPANY - CLEVELAND, OHIO
FOR YEAR ENDING DECEMBER 31, 1941

Baker-Raulang, Inc.



THE BAKER-RAULANG COMPANY

CLEVELAND, OHIO

March 19, 1942

To the Shareholders
of
The Baker-Raulang Company

The Financial Statements of the company for the year of 1941 included in this report have been examined by our Auditors as therein stated. It may be noted the net profit, after allowing for estimated federal taxes on income, is \$321,093.58, a little more than three times that reported for 1940. Total shipments of about \$4,000,000.00 for the year were nearly 2-1/4 times those for 1940.

In a large measure these increases have resulted from the unusually large production attained in our Industrial Truck Division. We were fortunate in that our regular products were in early demand by the Government and corporations making and handling war materials. With little delay, but with some additions to equipment and inventories and considerable more working time, production was doubled over 1940 and double that of any previous peak year.

A second very important profit and volume factor was the sharp step-up in production in our Commercial Body Division during the latter part of the year. As a result of sales, engineering and research effort we were fortunate in securing important war work well suited to our facilities. Most of this work was related to military vehicles so the almost complete conversion which has been effected did not require physical changes other than some more equipment and larger inventories. While starting late in the year on some of this work production for the year was increased about 2.7 times over that of 1940.

The above Divisions are located in separate plants, both of which are now operating to approximate capacity. We have sold a third plant, used as a power block for several years, thus eliminating substantial carrying expenses which were not entirely covered by the rent received.

We are now doing important work for the Army, Navy, and Air Corps and have in hand, and definitely in sight, substantial orders for further work carrying high priority ratings. No doubt there are serious hazards and contingencies ahead which the company will have to face as best it may. Under the serious national conditions existing we shall make such additional efforts toward larger production during 1942 as may be possible and as developments may require.

Respectfully submitted,

E. J. Raulang
President

THE BAKER-HUGHES COMPANY

CLEVELAND, OHIO

March 19, 1942

To the Shareholders

at

The Baker-Hughes Company

The financial statements of the company for the year 1941 included in this report have been examined by our auditors at Cleveland, Ohio, and they have reported that the statements are correct. It may be noted that the net profit, after allowing for estimated Federal income tax on income, is \$321,797.28, a little more than three times that reported for 1940. Total dividends of about \$1,000,000.00 for the year were nearly 2-1/2 times those for 1940.

In a large measure, these increased profits resulted from the unusually large production obtained in our Industrial Fuel Division. We were fortunate in that our regular products were in fairly demand by the Government and corporations making and building war materials. With little delay, but with some additions to equipment and inventory, and considerable more working time, production was doubled over 1940 and double that of any previous year.

A second very important profit was obtained from the sharp step-up in production in our Commercial Fuel Division during the latter part of the year. As a result of sales, negotiation and research effort we were fortunate in securing important war work well suited to our facilities. Some of this work was related to delivery of oil to the almost complete conversion which has been effected and not require physical changes other than some more equipment and larger inventory. While starting late in the year on some of this work production for the year was increased about 5.7 times over that of 1940.

The above divisions are located in separate plants, both of which are operated on approximately equal terms. We have sold a third plant, built as a power block for several years, some additional substantial capital expenses which were not entirely covered by the profit received.

We are now doing important work for the Army, Navy, and Air Corps and have in hand, and definitely in sight, substantial orders for further work outside of the priority contracts. We doubt there are any more orders and circumstances ahead which the company will have to face at this time. Under the various national conditions existing we shall make such additional efforts toward larger production during 1942 as may be possible and as developments may require.

Respectfully submitted,

W. B. Baker
President

ERNST & ERNST
Accountants and Auditors
System Service
Cleveland
Union Commerce Building

Board of Directors,
The Baker-Raulang Company,
Cleveland, Ohio.

We have examined the balance sheet of The Baker-Raulang Company as of December 31, 1941, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Trade accounts receivable were tested by direct communication with recorded debtors selected by us. Inventories of raw materials, parts, sub-assemblies, etc., in the storerooms are based on counts, weights or measurements made by employees of the Company as of December 31, 1941. Orders in process of manufacture or assembly are based on continuous records of accumulated costs, less estimated costs of partial deliveries. We observed procedures followed in ascertaining quantities and in making test checks of items included in the work in process orders. We also made test checks of the computations and basis of pricing.

During the year ended December 31, 1941, the Company sold property, plant, and equipment not used in operations for \$134,250.00, less commissions and other expenses of \$9,276.69. The net book carrying amount of \$250,281.27 for this property included appreciation of \$6,974.00. By order of the Board of Directors the entire book loss of \$125,307.96 was charged to capital surplus, rather than to profit and loss or earned surplus which would conform to generally accepted accounting principles.

In our opinion, except for the charge to capital surplus of the loss from the sale of property mentioned in the preceding paragraph, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of The Baker-Raulang Company at December 31, 1941, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

Certified Public Accountants

Cleveland, Ohio
March 10, 1942

REPORT A SHORT
Accountants and Auditors
Special Service
Cleveland
Union Commerce Building

Home of Directors
The Baker-Hamilton Company
Cleveland, Ohio

We have examined the balance sheet of The Baker-Hamilton Company as of December 31, 1941, and the statement of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

These accounts receivable were tested by direct examination of the records maintained by the Company, including the ledger, sales, order, and shipping records, etc., in the statement and based on accounts, weights or measurements made by employees of the Company as of December 31, 1941. Orders in process of manufacture or assembly are based on continuous records of uncompleted orders. Less estimated losses of partial deliveries. We observed procedures followed in determining quantities and in making test counts of items included in the work in process orders. We also made test checks of the computation and basis of pricing.

During the year ended December 31, 1941, the Company sold property, plant, and equipment not used in operations for \$10,520.00, less commissions and other expenses of \$2,370.00. The net book value of the amount of \$8,150.00 for this property included appreciation of \$6,974.00. By order of the Board of Directors the entire book value of \$15,307.96 was charged to capital surplus, rather than to profit and loss or earned surplus which would result in generally accepted accounting principles.

In our opinion, except for the charge to capital surplus of the loss from the sale of property mentioned in the preceding paragraph, the accompanying balance sheet and related statement of profit and loss and surplus present fairly the position of The Baker-Hamilton Company at December 31, 1941, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

REPORT A SHORT
Certified Public Accountants

Cleveland, Ohio
March 10, 1942

BALANCE

THE BAKER-RAULANG

December

=====

ASSETSCURRENT ASSETS

Cash	\$	221,875.18	
Trade accounts receivable, less reserve of \$4,500.00		574,210.90	
Inventory-at lower of cost or Market:			
Finished products	\$	2,882.49	
Parts and sub-assemblies		497,258.08	
Orders in process		315,645.29	
Raw materials		139,043.42	
Manufacturing supplies		10,335.82	
Materials in transit		19,454.86	
	\$	984,619.96	
Less reserves		6,605.39	978,014.57 \$1,774,100.65

OTHER ASSETS

Mortgage notes receivable from sale of real estate (includes accrued interest)	\$	98,270.83	
Sundry deposits, advances and receivables,	\$	12,715.74	
Less reserve		2,112.29	10,603.45 108,874.28

PROPERTY, PLANT, & EQUIPMENT-Note A

Land	\$	229,451.87	
Buildings, machinery and equipment	\$	1,452,519.81	
Less reserve for depreciation		1,039,941.46	412,578.35
Emergency facilities	\$	132,351.68	
Less reserve for depreciation and amortization		11,541.98	120,809.70 762,839.92

PATENTS & GOOD WILL (nominal amount) 1.00

DEFERRED CHARGES

Tools	\$	25,178.20	
Prepaid insurance, taxes, & other expenses		15,576.36	40,754.56
			\$2,686.570.41

=====

Note A - Property, plant, and equipment, exclusive of land, are stated generally on the basis of independent appraisals made at various dates, the latest being as of January 21, 1926, plus subsequent additions at cost and less adjustments of carrying amounts for certain machinery and equipment as determined by the management and less reserves for depreciation to December 31, 1941. Land is stated as appraised by The Cleveland Real Estate Board as of May 31, 1915, plus subsequent additions at cost and less adjustment of \$15,206.76 to reduce the carrying amount to an appraisal by the Board of Directors as of December 31, 1934. The amounts stated herein for these items do not purport to represent amounts currently realizable or cost.

ASSETS

CURRENT ASSETS

Trade accounts receivable	251,875.18
Less reserve at 12/31/30	
Inventory - at lower of cost or market	374,210.00
Finished products	2,882.42
Parts and sub-assemblies	497,228.02
WIP in process	312,641.20
Raw materials	139,011.42
Manufacturing supplies	20,332.52
Materials in transit	12,424.50
Less reserve	981,019.96
	6,601.32
	978,011.37
	21,724,100.62

OTHER ASSETS

Notes receivable from sale of	
Real estate (includes accrued interest)	98,270.83
Ready deposits, advances and	
receivables	12,711.74
Less reserve	2,112.23
	10,609.51
	108,879.58

PROPERTY, PLANT, & EQUIPMENT - Note A

Land	239,421.67
Buildings, machinery and	
equipment	21,012,219.81
Less reserve for depreciation	1,019,911.46
Less reserve for depreciation	111,321.68
Less reserve for depreciation	11,744.98
and amortization	170,609.70
	262,609.92

PATENTS & GOODWILL (Note A)

	1.00
--	------

DEFERRED CHARGES

Tools	
Prepaid insurance, taxes, & other	
expenses	25,178.20
	18,875.36
	44,053.56

62,686,370.41

Note A - Property, plant, and equipment, exclusive of land, are stated generally on the basis of independent appraisals made at various dates, the latest being as of January 31, 1930, plus subsequent additions at cost and less depreciation of current amounts for certain machinery and equipment as determined by the management and less reserves for depreciation to December 31, 1931. Land is stated as appraised by The Cleveland Real Estate Board as of May 31, 1915, plus subsequent additions at cost and less depreciation of \$12,305.76 as of December 31, 1931. The amounts stated herein for these items do not represent the highest amounts currently realizable or costs.

SHEET

COMPANY

31, 1941

=====

LIABILITIES, CAPITAL STOCK, AND SURPLUSCURRENT LIABILITIES

Notes payable to bank		\$ 200,000.00	
Accounts payable:			
Trade accounts	\$ 130,511.54		
Commissions-dealers	61,027.72		
Salaries, wages, and commissions	31,094.80		
Pay roll taxes	16,879.75	239,513.81	
Accrued:			
Local taxes	\$ 10,305.82		
Federal capital stock tax	10,250.00	20,555.82	
Dividends payable		9,303.75	
Federal taxes on income of the year ended Dec. 31, 1941-estimated		400,000.00	\$ 869,373.38

RESERVE

For contingencies			27,000.00
-------------------	--	--	-----------

CAPITAL STOCK AND SURPLUSCapital stock:

Preferred stock, 5% cumulative if earned, par value \$100.00 per share, redeemable at \$105.00 a share and accumulated unpaid dividends-Note B:

Authorized 7,500 shares; issued 7,364 shares; reserved for exchange for 7% preferred stock 79 shares \$ 744,300.00

Common stock, without par value-stated capital \$100 per share:

Authorized 100,000 shares; issued (including 474 shares reserved for exchange for prior issues of common stock) 77,927 shares; reserved for exchange for 7% preferred stock 316 shares

78,243.00
\$ 822,543.00

Surplus-Note C:

Capital surplus	\$ 613,201.71		
Earned surplus since 7-1-36	354,452.32	967,654.03	1,790,197.03
			\$2,686,570.41

=====

Note B - Dividends on preferred 5% stock are cumulative from July 1, 1936, if earned, and the earned accumulation unpaid at December 31, 1941, amounts to \$89,298.28, or approximately \$12.00 a share including stock not exchanged,

Note C - A loss of \$125,307.96 on the sale during the year 1941 of property, plant, and equipment not used in operations, was charged directly to capital surplus as authorized by the Board of Directors.

Continued

As of 1941

LIABILITIES, CAPITAL STOCK, AND SURPLUS

<u>CURRENT LIABILITIES</u>	
Notes payable to bank	\$ 200,000.00
Accounts payable	
Trade accounts	\$ 130,211.24
Commission-guests	61,027.72
Salaries, wages, and	
commissions	11,094.80
Pay roll taxes	16,813.72
Accrued:	
Local taxes	\$ 10,102.82
Federal capital stock tax	10,102.80
Dividends payable	20,222.82
Federal taxes on income of the	9,303.72
Year ended Dec. 31, 1941-estimated	
<u>400,000.00</u>	<u>869,777.12</u>
37,000.00	

RESERVE

CAPITAL STOCK AND SURPLUS

Capital stock:	
Preferred stock, 5% cumulative, 17 shares,	
per value \$100.00 per share, redeemable	
at \$105.00 a share and accumulated	
undivided dividends \$ 7,304	
Authorized 7,500 shares; issued 7,304	
shares; reserved for exchange for	
7% preferred stock 73 shares	\$ 744,100.00
Common stock, without par value-issued	
capital \$100 per share:	
Authorized 100,000 shares; issued	
(including 475 shares reserved for	
exchange for prior issues of common	
stock) 77,927 shares; reserved for	
exchange for 7% preferred stock	
716 shares	
<u>78,247.00</u>	<u>822,247.00</u>
Surplus-Note D:	
Capital surplus	\$ 613,201.72
Earned surplus since 7-1-30	214,482.38
<u>827,684.10</u>	<u>1,790,197.02</u>
82,080,770.41	

Note B - Dividends on preferred 5% stock are cumulative from July 1, 1936, if earned, and the earned accumulation unpaid as December 31, 1941, amounts to \$82,780.28, or approximately \$12.00 a share including stock not exchanged.

Note C - A loss of \$122,707.96 on the sale during the year 1941 of property, plant, and equipment not used in operations, was charged directly to capital surplus as authorized by the Board of Directors.

STATEMENT OF SURPLUS

THE BAKER-RAULANG COMPANY

Year ended December 31, 1941

CAPITAL SURPLUS

Balance at January 1, 1941	\$ 738,509.67
Loss on sale of property, plant, and equipment not used in operations charged to capital surplus as authorized by the Board of Directors	<u>125,307.96</u>
BALANCE AT DECEMBER 31, 1941	\$ 613,201.71 =====

EARNED SURPLUS (since July 1, 1936)

Balance at January 1, 1941	\$ 70,573.74
Add:	
Net profit for the year before loss on sale of property, plant, and equipment not used in operations-charged to capital surplus	<u>321,093.58</u>
	\$ 391,667.32
Deduct cash dividends declared:	
On preferred stock:	
\$2.50 per share applicable to the second semi-annual dividend period for the year 1940	\$ 18,607.50
\$2.50 per share applicable to the first semi-annual dividend period for the year 1941	<u>18,607.50</u>
	<u>37,215.00</u>
BALANCE AT DECEMBER 31, 1941	\$354,452.32

STATEMENT OF EARNINGS

THE BAKER-BACALAND COMPANY

Year ended December 31, 1941

CAPITAL SURPLUS

Balance at January 1, 1941
 Less on sale of property, plant, and equipment
 not used in operations charged to capital
 surplus as authorized by the Board of Directors
 125,307.66
 BALANCE AT DECEMBER 31, 1941 \$ 61,501.71

EARNED SURPLUS (since July 1, 1936)

Balance at January 1, 1941
 Add:
 Net profit for the year before loss on
 sale of property, plant, and equipment
 not used in operations-charged to
 capital surplus
 Deduct cash dividends declared;
 On preferred stock;
 12.50 per share applicable to the
 second semi-annual dividend
 period for the year 1940
 12.50 per share applicable to the
 first semi-annual dividend
 period for the year 1941
 18,607.50
 BALANCE AT DECEMBER 31, 1941 \$124,422.32

PROFIT AND LOSS STATEMENT

THE BAKER-RAULANG COMPANY

Year ended December 31, 1941

	INDUSTRIAL TRUCK DIVISION	COMMERCIAL BODY DIVISION	COMBINED
Net sales	\$2,917,897.71	\$1,052,987.21	\$3,970,884.92
Cost of goods sold	1,721,705.20	836,567.58	2,558,272.78
GROSS PROFIT	\$1,196,192.51	\$ 216,419.63	\$1,412,612.14
Expenses:			
Selling	\$ 499,775.35	26,018.83	525,794.18
Administrative & general	91,601.49	38,098.91	129,700.40
TOTAL EXPENSES	\$ 591,376.84	\$ 64,117.74	\$ 655,494.58
OPERATING PROFIT	\$ 604,815.67	\$ 152,301.89	\$ 757,117.56
Other income:			
Royalties received			5,152.50
Interest earned			2,187.23
Recovery on accounts			299.84
Sundry income			115.36
			\$ 764,872.49
Other deductions:			
Provision to increase reserve for contingencies to \$27,000.00			\$ 23,064.84
Settlement of patent litigation			7,500.00
Net expense of properties not used in operations			7,145.62
Interest expense			3,090.49
Accounts charged off			1,902.55
			\$ 42,703.50
PROFIT BEFORE TAXES ON INCOME			\$ 722,168.99
Taxes on income-estimated:			
Provision for the year:			
Federal normal income tax and surtax			152,500.00
Federal excess profits tax			247,500.00
Additional provision for prior year			1,075.41
TOTAL TAXES ON INCOME			\$ 401,075.41
NET PROFIT-NOTE A			\$ 321,093.58
Provision for depreciation and amortization of defense facilities included above -			\$63,984.47

Note A - A loss of \$125,307.96 on the sale of property, plant and equipment not used in operations was charged directly to capital surplus as authorized by the Board of Directors.

INCOME AND LOSS STATEMENT

THE BAKER-BRAND COMPANY

Year ended December 31, 1941

=====

INDUSTRIAL - COMMERCIAL		TRUCK		DIVISION		DIVISION		COMBINED	
Net sales		22,417,407.71		21,082,987.21		21,970,884.92			
Cost of goods sold		1,781,705.20		818,887.28		2,598,592.48			
GROSS PROFIT		20,635,702.51		20,264,100.00		19,372,292.44			
Expenses:									
Selling		\$ 487,772.12		\$ 50,018.83		\$ 537,790.95			
Administrative & general		21,601.42		18,038.91		39,640.33			
TOTAL EXPENSES		\$ 509,373.54		\$ 68,057.74		\$ 577,431.28			
OPERATING PROFIT		\$ 20,126,328.97		\$ 19,576,042.26		\$ 18,794,861.16			

Other income	
Royalties received	
Interest earned	
Recovery on accounts	
Sundry income	
2,122.20	
2,122.20	
2,122.20	
2,122.20	
2,122.20	
2,122.20	



